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NSC BRIEFING

27 March 1957

**BACKGROUND: PROPOSED ALLOCATION OF CANAL INCOME**

I. Following are abstracts from the 26 March Egyptian memorandum, covering details of proposed Suez Canal operations, given the UN Sec'y Gen Hammarskjold and the Ambassadors of the US, the USSR, India, Yugoslavia, Jordan, Syria and Saudi Arabia.

<u>PERCENT OF GROSS RECEIPTS</u>	<u>TO WHOM PAYABLE</u>	<u>OCI COMMENT</u>
A. 5%	To Gov't of Egypt, as royalty.	This 5% royalty is apparently in line with the original concession arrangements.
B. 25%	To "Suez Canal Capital Land Development Fund"	This fund, to be established by the Egyptian Gov't, will be used for developing and expanding canal facilities.
C. Remainder (70%)	No allocation stated in the Egyptian memorandum.	This balance of receipts, <del>which</del> will be in the hands of the Egyptian Gov't's "Suez Canal Authority." Presumably, both operating expenses and the promised reimbursement of stockholders in the old Suez Company will be paid from this balance.

II. Both the wording of the Egyptian memorandum and Foreign Minister Fawzi's comments to Ambassador Hare suggest that Egypt is making a strenuous effort to tie itself to the pattern of the 1888 Convention, which covered general canal operations procedures prior to nationalization (26 July '56).

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